

**Union Calendar No. 71**

104TH CONGRESS  
1ST SESSION

**H. R. 1720**

**[Report No. 104-153]**

**A BILL**

To amend the Higher Education Act of 1965 to provide for the cessation of Federal sponsorship of two Government sponsored enterprises, and for other purposes.

JUNE 22, 1995

Reported with an amendment, committed to the Committee of the Whole House on the State of the Union, and ordered to be printed

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## IN THE HOUSE OF REPRESENTATIVES

MAY 25, 1995

Mr. McKEON introduced the following bill; which was referred to the Committee on Economic and Educational Opportunities

JUNE 22, 1995

Reported with an amendment, committed to the Committee of the Whole House on the State of the Union, and ordered to be printed

[Strike out all after the enacting clause and insert the part printed in italic]

[For text of introduced bill, see copy of bill as introduced on May 25, 1995]

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## A BILL

To amend the Higher Education Act of 1965 to provide for the cessation of Federal sponsorship of two Government sponsored enterprises, and for other purposes.

1       *Be it enacted by the Senate and House of Representa-*  
2       *tives of the United States of America in Congress assembled,*

1 **SECTION 1. SHORT TITLE; REFERENCES.**

2 (a) *SHORT TITLE.*—This Act may be cited as the  
3 “Privatization Act of 1995”.

4 (b) *REFERENCES.*—References in this Act to “the Act”  
5 are references to the Higher Education Act of 1965.

6 **SEC. 2. PURPOSE.**

7 The purpose of this Act is to provide for the cessation  
8 of Federal sponsorship of two Government sponsored enter-  
9 prises, the Student Loan Marketing Association and the  
10 College Construction Loan Insurance Association now that  
11 both corporations are economically viable and have success-  
12 fully fulfilled the purposes for which they were created.

13 **TITLE I—STUDENT LOAN**  
14 **MARKETING ASSOCIATION**

15 **SEC. 101. REORGANIZATION OF THE STUDENT LOAN MAR-**  
16 **KETING ASSOCIATION THROUGH THE FORMA-**  
17 **TION OF A HOLDING COMPANY.**

18 (a) *AMENDMENT.*—Part B of title IV of the Act (20  
19 U.S.C. 1071 et seq.) is amended by inserting after section  
20 439 (20 U.S.C. 1087–2) the following new section:

21 **“SEC. 440. REORGANIZATION OF THE STUDENT LOAN MAR-**  
22 **KETING ASSOCIATION THROUGH THE FORMA-**  
23 **TION OF A HOLDING COMPANY.**

24 “(a) *ACTIONS BY THE ASSOCIATION’S BOARD OF DI-*  
25 *RECTORS.*—The Board of Directors of the Association shall  
26 take or cause to be taken all such action as it deems nec-

1 *essary or appropriate to effect, upon the shareholder ap-*  
2 *proval described in subsection (b), a restructuring of the*  
3 *common stock ownership of the Association, as set forth in*  
4 *a plan of reorganization adopted by the Board of Directors*  
5 *(the terms of which shall be consistent with this Act) so that*  
6 *all of the outstanding common shares shall be directly*  
7 *owned by an ordinary business corporation chartered under*  
8 *State or District of Columbia law (the ‘Holding Company’),*  
9 *as the Board of Directors may determine. Such actions may*  
10 *include, in the Board’s discretion, a merger of a wholly*  
11 *owned subsidiary of the Holding Company with and into*  
12 *the Association, which would have the effect provided in the*  
13 *plan of reorganization and the law of the jurisdiction in*  
14 *which such subsidiary is incorporated. As part of the re-*  
15 *structuring, the Board of Directors may cause (1) the com-*  
16 *mon shares of the Association to be converted, at the reorga-*  
17 *nization effective date, to common shares of the Holding*  
18 *Company on a one for one basis, consistent with applicable*  
19 *State or District of Columbia law, and (2) Holding Com-*  
20 *pany common shares to be registered with the Securities*  
21 *and Exchange Commission.*

22       “(b) *SHAREHOLDER APPROVAL.*—*The plan of reorga-*  
23 *nization adopted by the Board of Directors pursuant to sub-*  
24 *section (a) shall be submitted to common stockholders of the*  
25 *Association for their approval. The reorganization shall*

1 *occur at the reorganization effective date, provided that the*  
2 *plan of reorganization has been approved by the affirmative*  
3 *votes, cast in person or by proxy, of the holders of a major-*  
4 *ity of the issued and outstanding shares of the Association*  
5 *common stock.*

6 “(c) *TRANSITION.—*

7 “(1) *IN GENERAL.—Except as specifically pro-*  
8 *vided in this section, until the dissolution date the As-*  
9 *sociation shall continue to have all of the rights,*  
10 *privileges and obligations set forth in, and shall be*  
11 *subject to all of the limitations and restrictions of,*  
12 *section 439 of this Act as in effect on the effective date*  
13 *of this section, and the Association shall continue to*  
14 *carry out the purposes of such section. The Holding*  
15 *Company and its affiliates other than the Association*  
16 *shall not be entitled to any of the rights, privileges*  
17 *and obligations, and shall not be subject to the limita-*  
18 *tions and restrictions, applicable to the Association*  
19 *under section 439 of this Act as in effect on the effec-*  
20 *tive date of this section, except as specifically pro-*  
21 *vided in this section. The Holding Company and its*  
22 *subsidiaries (other than the Association) shall not*  
23 *purchase loans insured under this Act until such time*  
24 *as the Association ceases acquiring such loans, except*  
25 *that the Association shall continue to acquire loans as*

1     *a lender of last resort pursuant to section 439(q) of*  
2     *this Act or under an agreement with the Secretary de-*  
3     *scribed in section 440(c)(6).*

4             “(2) *TRANSFER OF CERTAIN PROPERTY.—Except*  
5     *as specifically provided in this section, at the reorga-*  
6     *nization effective date or as soon as practicable there-*  
7     *after, the Association shall use its best efforts to trans-*  
8     *fer to the Holding Company or its subsidiaries (or*  
9     *both), in each case, as directed by the Holding Com-*  
10    *pany, all real and personal property of the Associa-*  
11    *tion (both tangible and intangible) other than the re-*  
12    *maining property. Without limiting the preceding*  
13    *sentence, such transferred property shall include all*  
14    *right, title and interest in (A) direct or indirect sub-*  
15    *sidaries of the Association (excluding any interest in*  
16    *any government sponsored enterprise), (B) contracts,*  
17    *leases, and other agreements, (C) licenses and other*  
18    *intellectual property, and (D) any other property of*  
19    *the Association. Notwithstanding the preceding provi-*  
20    *sions of this paragraph, nothing in this paragraph*  
21    *shall be construed to prohibit the Association from*  
22    *transferring remaining property from time to time to*  
23    *the Holding Company or its subsidiaries, subject to*  
24    *the provisions of paragraph (4).*

1           “(3) *TRANSFER OF PERSONNEL.*—At the reorga-  
2           nization effective date, employees of the Association  
3           shall become employees of the Holding Company (or  
4           of the subsidiaries), and the Holding Company (or  
5           the subsidiaries or both) shall provide all necessary  
6           and appropriate management and operational sup-  
7           port (including loan servicing) to the Association, as  
8           requested by the Association. The Association may,  
9           however, obtain such management and operational  
10          support from other persons or entities.

11          “(4) *DIVIDENDS.*—The Association may pay  
12          dividends in the form of cash or noncash distributions  
13          so long as at the time of the declaration of such divi-  
14          dends, after giving effect to the payment of such divi-  
15          dends as of the date of such declaration by the Board  
16          of Directors of the Association, the Association’s cap-  
17          ital would be in compliance with the capital stand-  
18          ards set forth in section 439(r) of this Act. If, at any  
19          time after the reorganization effective date, the Asso-  
20          ciation fails to comply with such capital standards,  
21          the Holding Company shall be obligated to transfer to  
22          the Association additional capital in such amounts as  
23          are necessary to ensure that the Association again  
24          complies with the capital standards.

1           “(5) *VALUATION OF NONCASH DISTRIBUTIONS.*—  
2     *After the reorganization effective date, any distribu-*  
3     *tion of noncash assets by the Association to the Hold-*  
4     *ing Company shall be valued at book value on the*  
5     *date the Association’s Board of Directors approved*  
6     *such distribution for purposes of calculating compli-*  
7     *ance with section 439(r) of this Act.*

8           “(6) *RESTRICTIONS ON NEW BUSINESS ACTIVITY*  
9     *OR ACQUISITION OF ASSETS BY ASSOCIATION.*—*After*  
10    *the reorganization effective date, the Association shall*  
11    *not engage in any new business activities or acquire*  
12    *any additional assets other than—*

13           “(A) *in connection with (i) student loan*  
14    *purchases through September 30, 2003, and (ii)*  
15    *contractual commitments for future warehousing*  
16    *advances or pursuant to letters of credit or*  
17    *standby bond purchase agreements which are*  
18    *outstanding as of the reorganization effective*  
19    *date;*

20           “(B) *in connection with its serving as a*  
21    *lender-of-last-resort pursuant to section 439 of*  
22    *this Act; and*

23           “(C) *in connection with its purchase of*  
24    *loans insured under this part, if the Secretary,*  
25    *with the approval of the Secretary of the Treas-*



1        *ury, enters into an agreement with the Associa-*  
2        *tion for the continuation or resumption of its*  
3        *secondary market purchase program because the*  
4        *Secretary determines there is inadequate liquid-*  
5        *ity for loans made under this part.*

6        *The Secretary is authorized to enter into an agree-*  
7        *ment described in subparagraph (C) with the Associa-*  
8        *tion covering such secondary market activities. Any*  
9        *agreement entered into under subparagraph (C) shall*  
10       *cover a period of 12 months, but may be renewed if*  
11       *the Secretary determines that liquidity remains inad-*  
12       *equately. The fee provided under section 439(h)(7) shall*  
13       *not apply to loans acquired under any such agree-*  
14       *ment with the Secretary.*

15       *“(7) ISSUANCE OF DEBT OBLIGATIONS DURING*  
16       *THE TRANSITION PERIOD; ATTRIBUTES OF DEBT OBLI-*  
17       *GATIONS.—After the reorganization effective date, the*  
18       *Association shall not issue debt obligations which ma-*  
19       *ture later than September 30, 2004, except in connec-*  
20       *tion with serving as a lender-of-last-resort pursuant*  
21       *to section 439 of this Act or with purchasing loans*  
22       *under an agreement with the Secretary as described*  
23       *in paragraph (6) of this subsection. Nothing in this*  
24       *subsection shall modify the attributes accorded the*  
25       *debt obligations of the Association by section 439, re-*

1 *ardless of whether such debt obligations are incurred*  
2 *prior to, or at any time following, the reorganization*  
3 *effective date or are transferred to a trust in accord-*  
4 *ance with subsection (d).*

5 “(8) *MONITORING OF SAFETY AND SOUND-*  
6 *NESS.—*

7 “(A) *OBLIGATION TO OBTAIN, MAINTAIN,*  
8 *AND REPORT INFORMATION.—The Association*  
9 *shall obtain such information and make and*  
10 *keep such records as the Secretary of the Treas-*  
11 *ury may from time to time prescribe concerning*  
12 *(i) the financial risk to the Association resulting*  
13 *from the activities of any of its associated per-*  
14 *sons, to the extent such activities are reasonably*  
15 *likely to have a material impact on the financial*  
16 *condition of the Association, including its cap-*  
17 *ital ratio, its liquidity, or its ability to conduct*  
18 *and finance its operations, and (ii) the Associa-*  
19 *tion’s policies, procedures, and systems for mon-*  
20 *itoring and controlling any such financial risk.*  
21 *The Association’s obligations under this sub-*  
22 *section with respect to any associated person*  
23 *which is a third party servicer (as defined in 34*  
24 *C.F.R. 682.200(b)) shall be limited to providing*  
25 *to the Secretary of the Treasury copies of any re-*

1       ports or other information provided to the Sec-  
2       retary of Education pursuant to 34 C.F.R.  
3       682.200 et seq. The Secretary of the Treasury  
4       may require summary reports of such informa-  
5       tion to be filed no more frequently than quar-  
6       terly. For purposes of this paragraph, the term  
7       ‘associated person’ shall mean any person, other  
8       than a natural person, directly or indirectly con-  
9       trolling, controlled by, or under common control  
10      with the Association.

11               “(B) SEPARATE OPERATION OF CORPORA-  
12      TIONS.—

13               “(i) The funds and assets of the Asso-  
14      ciation shall at all times be maintained sep-  
15      arately from the funds and assets of the  
16      Holding Company or any of its other sub-  
17      sidiaries and may be used solely by the As-  
18      sociation to carry out its purposes and to  
19      fulfill its obligations.

20               “(ii) The Association shall maintain  
21      books and records that clearly reflect the as-  
22      sets and liabilities of the Association, sep-  
23      arate from the assets and liabilities of the  
24      Holding Company or any of its other sub-  
25      sidiaries.

1           “(iii) *The Association shall maintain a*  
2           *corporate office that is physically separate*  
3           *from any office of the Holding Company or*  
4           *any of its subsidiaries.*

5           “(iv) *No director of the Association*  
6           *that is appointed by the President pursuant*  
7           *to section 439(c)(1)(A) may serve as a di-*  
8           *rector of the Holding Company.*

9           “(v) *At least one officer of the Associa-*  
10          *tion shall remain an officer solely of the*  
11          *Association.*

12          “(vi) *Transactions between the Associa-*  
13          *tion and the Holding Company or its other*  
14          *subsidiaries, including any loan servicing*  
15          *arrangements, shall be on terms no less fa-*  
16          *vorable to the Association than the Associa-*  
17          *tion could obtain from an unrelated third*  
18          *party.*

19          “(vii) *The Association shall not extend*  
20          *credit to the Holding Company or any of*  
21          *its affiliates, nor guarantee or provide any*  
22          *credit enhancement to any debt obligations*  
23          *of the Holding Company or any of its affili-*  
24          *ates.*

1           “(viii) Any amounts collected on behalf  
2           of the Association by the Holding Company  
3           or any of its other subsidiaries with respect  
4           to the assets of the Association, pursuant to  
5           a servicing contract or other arrangement  
6           between the Association and the Holding  
7           Company or any of its other direct or indi-  
8           rect subsidiaries, shall be collected solely for  
9           the benefit of the Association and shall be  
10          immediately deposited by the Holding Com-  
11          pany or such other subsidiary to an account  
12          under the sole control of the Association.

13          “(C) ENCUMBRANCE OF ASSETS.—Notwith-  
14          standing any otherwise applicable Federal or  
15          State law, rule, or regulation, or legal or equi-  
16          table principle, doctrine, or theory to the con-  
17          trary, under no circumstances shall the assets of  
18          the Association be available or used to pay  
19          claims or debts of or incurred by the Holding  
20          Company. Nothing in this subparagraph shall  
21          limit the right of the Association to pay divi-  
22          dends not otherwise prohibited hereunder or  
23          limit any liability of the Holding Company ex-  
24          plicitly provided for in this part.

1           “(D) *HOLDING COMPANY ACTIVITIES.*—After  
2           the reorganization effective date and prior to the  
3           dissolution of the Association in accordance with  
4           section 440(d), Holding Company activities shall  
5           be limited to ownership of the Association and  
6           any other subsidiaries. All business activities  
7           shall be conducted through subsidiaries.

8           “(9) *ASSOCIATION BOARD OF DIRECTORS.*—Not-  
9           withstanding any other provision of part B of this  
10          title, after the reorganization effective date, the 14 di-  
11          rectors of the Association elected by the Association’s  
12          stockholders (which immediately after the reorganiza-  
13          tion effective date shall be the Holding Company)  
14          shall no longer be required to meet the eligibility re-  
15          quirements set forth in section 439(c).

16          “(10) *ISSUANCE OF STOCK WARRANTS.*—At the  
17          reorganization effective date, the Holding Company  
18          shall issue to the Secretary of the Treasury 200,000  
19          stock warrants, each entitling the holder of the stock  
20          warrant to purchase from the Holding Company one  
21          share of the registered common stock of the Holding  
22          Company at any time on or before September 30,  
23          2007. The exercise price for such warrants shall be an  
24          amount equal to the average closing price of the com-  
25          mon stock of the Association for the 20 business days

1     *prior to and including the date of enactment of this*  
2     *section on the exchange or market which is then the*  
3     *primary exchange or market for the common stock of*  
4     *the Association, subject to any adjustments necessary*  
5     *to reflect the conversion of Association common stock*  
6     *into Holding Company common stock as part of the*  
7     *plan of reorganization approved by the Association's*  
8     *shareholders.*

9             “(11) *RESTRICTIONS ON TRANSFER OF ASSOCIA-*  
10     *TION SHARES AND BANKRUPTCY OF ASSOCIATION.—*  
11     *After the reorganization effective date, the Holding*  
12     *Company shall not sell, pledge, or otherwise transfer*  
13     *the outstanding shares of the Association, or agree to*  
14     *or cause the liquidation of the Association to file a pe-*  
15     *tition of bankruptcy under title 11, United States*  
16     *Code, without prior approval of the Secretary of the*  
17     *Treasury and the Secretary of Education.*

18             “(d) *TERMINATION OF THE ASSOCIATION.—The Asso-*  
19     *ciation shall dissolve, and its separate existence shall termi-*  
20     *nate on September 30, 2007, after discharge of all outstand-*  
21     *ing debt obligations and liquidation pursuant to this sub-*  
22     *section. The Association may dissolve pursuant to this sub-*  
23     *section prior to such date by notifying the Secretary of Edu-*  
24     *cation and the Secretary of the Treasury of its intention*  
25     *to dissolve, unless within 60 days of receipt of such notice*

1 *the Secretary of Education notifies the Association that it*  
2 *continues to be needed to serve as a lender of last resort*  
3 *pursuant to section 439(q) of this Act or continues to be*  
4 *needed to purchase loans under an agreement with the Sec-*  
5 *retary described in subsection (c)(6) of this section. On the*  
6 *dissolution date, the Association shall take the following ac-*  
7 *tions:*

8           “(1) *ESTABLISHMENT OF A TRUST.*—*The Asso-*  
9           *ciation shall, under the terms of an irrevocable trust*  
10           *agreement in form and substance satisfactory to the*  
11           *Secretary of the Treasury, the Association and the ap-*  
12           *pointed trustee, irrevocably transfer all remaining ob-*  
13           *ligations of the Association to the trust and irrev-*  
14           *ocably deposit or cause to be deposited into such trust,*  
15           *to be held as trust funds solely for the benefit of hold-*  
16           *ers of the remaining obligations, money or direct*  
17           *noncallable obligations of the United States of Amer-*  
18           *ica or any agency thereof for which payment the full*  
19           *faith and credit of the United States is pledged, ma-*  
20           *turing as to principal and interest in such amounts*  
21           *and at such times as are determined by the Secretary*  
22           *of the Treasury to be sufficient, without consideration*  
23           *of any significant reinvestment of such interest, to*  
24           *pay the principal of, and interest on, the remaining*  
25           *obligations in accordance with their terms. To the ex-*



1     *tent the Association cannot provide money or qualify-*  
2     *ing obligations in the amount required, the Holding*  
3     *Company shall be required to transfer money or*  
4     *qualifying obligations to the trust in the amount nec-*  
5     *essary to prevent any deficiency.*

6             “(2) *USE OF TRUST ASSETS.—All money, obliga-*  
7     *tions, or financial assets deposited into the trust pur-*  
8     *suant to this subsection shall be applied by the trustee*  
9     *to the payment of the remaining obligations assumed*  
10    *by the trust. Upon the fulfillment of the trustee’s du-*  
11    *ties under the trust, any remaining assets of the trust*  
12    *shall be transferred to the Holding Company or its*  
13    *subsidiaries, or both, as directed by the Holding Com-*  
14    *pany.*

15            “(3) *OBLIGATIONS NOT TRANSFERRED TO THE*  
16    *TRUST.—The Association shall make proper provision*  
17    *for all other obligations of the Association, including*  
18    *the repurchase or redemption, or the making of prop-*  
19    *er provision for the repurchase or redemption, of any*  
20    *preferred stock of the Association then outstanding.*  
21    *Any obligations of the Association which cannot be*  
22    *fully satisfied shall become liabilities of the Holding*  
23    *Company as of the date of dissolution.*

24            “(4) *TRANSFER OF REMAINING ASSETS.—After*  
25    *compliance with paragraphs (1), (2), and (3), the As-*

1        *sociation shall transfer to the Holding Company any*  
2        *remaining assets of the Association.*

3        “(e) *OPERATION OF THE HOLDING COMPANY.*—

4                “(1) *HOLDING COMPANY BOARD OF DIREC-*  
5        *TORS.*—*The number and composition of the Board of*  
6        *Directors of the Holding Company shall be deter-*  
7        *mined as set forth in the Holding Company’s charter*  
8        *or like instrument (as amended from time to time) or*  
9        *bylaws (as amended from time to time) and as per-*  
10       *missible under the laws of the jurisdiction of its in-*  
11       *corporation.*

12               “(2) *HOLDING COMPANY NAME.*—*The names of*  
13       *the Holding Company and any direct or indirect sub-*  
14       *sidary of the Holding Company other than the Asso-*  
15       *ciation may not contain the name ‘Student Loan*  
16       *Marketing Association’ or ‘Sallie Mae’.*

17               “(3) *USE OF SALLIE MAE NAME.*—*Subject to*  
18       *paragraph (2), the Association may assign to the*  
19       *Holding Company, or any direct or indirect subsidi-*  
20       *ary of the Holding Company other than the Associa-*  
21       *tion, the ‘Sallie Mae’ name as a trademark and serv-*  
22       *ice mark, except that neither the Holding Company*  
23       *nor any direct or indirect subsidiary of the Holding*  
24       *Company may use the ‘Sallie Mae’ name on, or to*  
25       *identify the issuer of, any debt obligation or other se-*

1        *curity offered or sold by the Holding Company or any*  
2        *direct or indirect subsidiary. The Association shall*  
3        *remit to the Secretary of Treasury \$5,000,000 during*  
4        *fiscal year 1996 as compensation for the right to as-*  
5        *sign such trademark or service mark.*

6            *“(4) DISCLOSURE REQUIRED.—Until 3 years*  
7        *after the dissolution date, the Holding Company, and*  
8        *any direct or indirect subsidiary of the Holding Com-*  
9        *pany other than the Association, shall prominently*  
10       *display in any document offering its securities, and*  
11       *in any advertisement or promotional materials which*  
12       *use the ‘Sallie Mae’ name or mark, a statement*  
13       *that—*

14            *“(A) neither the Holding Company nor any*  
15        *such subsidiary is a Government-sponsored en-*  
16        *terprise or instrumentality of the United States;*  
17        *and*

18            *“(B) the obligations of the Holding Com-*  
19        *pany and any such subsidiary are not guaran-*  
20        *teed by the full faith and credit of the United*  
21        *States.*

22        *“(f) STRICT CONSTRUCTION.—Except as specifically*  
23       *set forth in this section, nothing contained in this section*  
24       *shall be construed to limit the authority of the Association*  
25       *as a federally chartered corporation, or of the Holding Com-*

1 *pany as a State or District of Columbia chartered corpora-*  
2 *tion.*

3       “(g) *RIGHT TO ENFORCE.*—*The Secretary of Edu-*  
4 *cation or the Secretary of the Treasury, as appropriate,*  
5 *may request the Attorney General of the United States to*  
6 *bring an action in the United States District Court for the*  
7 *District of Columbia for the enforcement of any provisions*  
8 *of this section, or may, under the direction or control of*  
9 *the Attorney General, bring such an action. Such court shall*  
10 *have jurisdiction and power to order and require compli-*  
11 *ance with this section.*

12       “(h) *DEADLINE FOR REORGANIZATION EFFECTIVE*  
13 *DATE.*—*This section shall be of no further force and effect*  
14 *in the event that the reorganization effective date does not*  
15 *occur on or before 18 months after the date of enactment*  
16 *of this section.*

17       “(i) *DEFINITIONS.*—*For purposes of this section:*

18               “(1) *The term ‘Association’ means the Student*  
19 *Loan Marketing Association.*

20               “(2) *The term ‘dissolution date’ shall mean Sep-*  
21 *tember 30, 2007, or such earlier date as the Secretary*  
22 *of Education permits the transfer of remaining obli-*  
23 *gations in accordance with subsection (d) of this sec-*  
24 *tion.*

1           “(3) The term ‘reorganization effective date’  
2           means the effective date of the reorganization as deter-  
3           mined by the Board of Directors of the Association,  
4           which shall not be earlier than the date that stock-  
5           holder approval is obtained pursuant to subsection (b)  
6           of this section and shall not be later than the date  
7           that is 18 months after the date of enactment of this  
8           section.

9           “(4) The term ‘Holding Company’ means the  
10          new business corporation formed pursuant to this sec-  
11          tion by the Association under the laws of any State  
12          of the United States or the District of Columbia.

13          “(5) The term ‘remaining obligations’ shall  
14          mean the debt obligations of the Association outstand-  
15          ing as of the dissolution date.

16          “(6) The term ‘remaining property’ shall mean  
17          the following assets and liabilities of the Association  
18          which are outstanding as of the reorganization effec-  
19          tive date: (A) debt obligations issued by the Associa-  
20          tion, (B) contracts relating to interest rate, currency,  
21          or commodity positions or protections, (C) investment  
22          securities owned by the Association, (D) any instru-  
23          ments, assets, or agreements described in section  
24          439(d) of this Act (including without limitation all  
25          student loans, forward purchase and lending commit-

1        *ments, warehousing advances, academic facilities obli-*  
 2        *gations, letters of credit, standby bond purchase agree-*  
 3        *ments, liquidity agreements, and student loan revenue*  
 4        *bonds or other loans), and (E) except as specifically*  
 5        *prohibited by this Act, any other nonmaterial assets*  
 6        *or liabilities of the Association which the Associa-*  
 7        *tion's Board of Directors determines to be necessary*  
 8        *or appropriate to its operations.*

9            “(7) The term ‘reorganization’ means the re-  
 10        *structuring event or events (including any merger*  
 11        *event) giving effect to the holding company structure*  
 12        *described in subsection (a) of this section.*

13            “(8) The term ‘subsidiaries’ shall mean one or  
 14        *more direct or indirect subsidiaries of the Holding*  
 15        *Company.’”.*

16        (b) *TECHNICAL AMENDMENTS.—*

17            (1) *AMENDMENTS TO THE HIGHER EDUCATION*  
 18        *ACT.—Effective on the reorganization effective date*  
 19        *(as defined in section 440(h)(3) of the Act, as added*  
 20        *by subsection (a))—*

21            (A) *section 435(d)(1)(F) of the Act (20*  
 22        *U.S.C. 1085(d)(1)(F)) is amended by inserting*  
 23        *after “Student Loan Marketing Association” the*  
 24        *following: “or the Holding Company of the Stu-*  
 25        *dent Loan Marketing Association, including all*

1        *subsidiaries of such Holding Company, created*  
 2        *pursuant to section 440 of this Act,”; and*

3                (B)        *sections 435(d)(1)(G) and*  
 4        *428C(a)(1)(A) of such Act (20 U.S.C.*  
 5        *1085(d)(1)(G); 1078–3(a)(1)(A)) are each*  
 6        *amended by inserting after “Student Loan Mar-*  
 7        *keting Association” the following: “or the Hold-*  
 8        *ing Company of the Student Loan Marketing As-*  
 9        *sociation, including all subsidiaries of such*  
 10        *Holding Company, created pursuant to section*  
 11        *440 of this Act”.*

12                (2) *ENFORCEMENT OF SAFETY AND SOUNDNESS*  
 13        *REQUIREMENTS.—Section 439(r) of the Act (20*  
 14        *U.S.C. 1087–2(r)) is amended—*

15                (A) *by redesignating paragraph (13) as*  
 16        *paragraph (15); and*

17                (B) *by inserting after paragraph (12) the*  
 18        *following new paragraph:*

19                “(13) *ENFORCEMENT OF SAFETY AND SOUND-*  
 20        *NESS REQUIREMENTS.—The Secretary of Education*  
 21        *or the Secretary of the Treasury, as appropriate, may*  
 22        *request the Attorney General of the United States to*  
 23        *bring an action in the United States District Court*  
 24        *for the District of Columbia for the enforcement of*  
 25        *any provisions of this subsection, or may, under the*

1 *direction or control of the Attorney General, bring*  
 2 *such an action. Such court shall have jurisdiction and*  
 3 *power to order and require compliance with this sub-*  
 4 *section.”.*

5 (3) *CAPITAL RATIO AMENDMENTS.—Section*  
 6 *439(r) of the Act is further amended—*

7 *(A) in paragraph (1)—*

8 *(i) by striking “and” at the end of sub-*  
 9 *paragraph (A);*

10 *(ii) by striking the period at the end of*  
 11 *subparagraph (B) and inserting “; and”;*  
 12 *and*

13 *(iii) by adding at the end the following*  
 14 *new subparagraph:*

15 *“(C) within 45 days of the end of each cal-*  
 16 *endar quarter, (i) financial statements of the As-*  
 17 *sociation, and (ii) a report setting forth the cal-*  
 18 *culatation of the capital ratio of the Association.”;*

19 *(B) in paragraph (11), by striking “para-*  
 20 *graphs (4) and (6)(A)” and inserting “para-*  
 21 *graphs (4), (6)(A), and (14)”;* and

22 *(C) by inserting after paragraph (13) (as*  
 23 *added by paragraph (2) of this subsection) the*  
 24 *following new paragraph:*



1           “(14) *ACTIONS BY SECRETARY.*—If the share-  
2           *holders of the Association shall have approved a reor-*  
3           *ganization plan in accordance with section 440(b)*  
4           *and, for any quarter after January 1, 2000, the Asso-*  
5           *ciation shall have a capital ratio of less than 2.25*  
6           *percent, the Secretary of the Treasury may, until such*  
7           *capital ratio is met, take any one or more of the ac-*  
8           *tions described in paragraph (7), except that—*

9                     “(A) *the capital ratio to be restored pursu-*  
10            *ant to paragraph (7)(D) shall be 2.25 percent;*  
11            *and*

12                    “(B) *if the relevant capital ratio is in ex-*  
13            *cess of or equal to 2 percent for such quarter, the*  
14            *Secretary of the Treasury shall defer taking any*  
15            *of the actions set forth in paragraph (7) until*  
16            *the next succeeding quarter and may then pro-*  
17            *ceed with any such action only if the capital*  
18            *ratio of the Association remains below 2.25 per-*  
19            *cent.*

20           *Upon approval by the shareholders of the Association*  
21           *of a reorganization plan in accordance with section*  
22           *440(b) for any period after January 1, 2000, the pro-*  
23           *visions of paragraphs (4), (5), (6), (8), (9), and (10)*  
24           *shall be of no further application to the Association.”.*

1           (4) *REPEAL OF THE ASSOCIATION’S CHARTER.*—  
 2           *Effective on the dissolution date (as defined in section*  
 3           *440(h)(2) of the Act, as added by subsection (a)), sec-*  
 4           *tion 439 of the Act (20 U.S.C. 1087–2) is repealed.*

5           ***TITLE II—COLLEGE CONSTRU-***  
 6           ***CTION LOAN INSURANCE ASSO-***  
 7           ***CIATION***

8           ***SEC. 201. PRIVATIZATION OF COLLEGE CONSTRUCTION***  
 9           ***LOAN INSURANCE ASSOCIATION.***

10          (a) *REPEAL OF STATUTORY RESTRICTIONS.*—*Part D*  
 11          *of title VII of the Act (20 U.S.C. 1132f et seq.) is repealed.*

12          (b) *STATUS OF THE CORPORATION.*—

13               (1) *STATUS OF THE CORPORATION.*—*The Cor-*  
 14               *poration shall not be an agency, instrumentality, or*  
 15               *establishment of the United States Government and*  
 16               *shall not be a “Government corporation” nor a “Gov-*  
 17               *ernment controlled corporation” as defined in section*  
 18               *103 of title 5, United States Code. No action under*  
 19               *section 1491 of title 28, United States Code (com-*  
 20               *monly known as the Tucker Act) shall be allowable*  
 21               *against the United States based on the actions of the*  
 22               *Corporation.*

23               (2) *CORPORATE POWERS.*—*The Corporation*  
 24               *shall have the power to engage in any business or*  
 25               *other activities for which corporations may be orga-*

1     nized under the laws of any State of the United  
2     States or the District of Columbia. The Corporation  
3     shall have the power to enter into contracts, to execute  
4     instruments, to incur liabilities, to provide products  
5     and services, and to do all things as are necessary or  
6     incidental to the proper management of its affairs  
7     and the efficient operation of a private, for-profit  
8     business.

9     (c) *RELATED PRIVATIZATION REQUIREMENTS.*—

10         (1) *NOTICE REQUIREMENTS.*—During the 5-year  
11     period following the date of the enactment of this Act,  
12     the Corporation shall include in any document offer-  
13     ing the Corporation's securities, or in any contracts  
14     for insurance, guarantee, or reinsurance of obliga-  
15     tions, a statement that—

16             (A) the Corporation is not a Government-  
17     sponsored enterprise or instrumentality of the  
18     United States; and

19             (B) the Corporation's obligations are not  
20     guaranteed by the full faith and credit of the  
21     United States.

22         (2) *CORPORATE CHARTER.*—The Corporation's  
23     charter shall be amended as necessary and without  
24     delay to conform the requirements of this Act.

1           (3) *CORPORATE NAME.*—*The name of the Cor-*  
2           *poration, or of any direct or indirect subsidiary*  
3           *thereof, may not contain the term “College Construc-*  
4           *tion Loan Insurance Association”.*

5           (4) *ARTICLES OF INCORPORATION.*—*The Cor-*  
6           *poration shall amend its articles of incorporation*  
7           *without delay to reflect that one of the purposes of the*  
8           *Corporation shall be to guarantee, insure and rein-*  
9           *sure bonds, leases, and other evidences of debt of edu-*  
10          *cational institutions, including Historically Black*  
11          *Colleges and Universities and other academic institu-*  
12          *tions which are ranked in the lower investment grade*  
13          *category using a nationally recognized credit rating*  
14          *system.*

15          (5) *TRANSITION REQUIREMENTS.*—

16                (A) *REQUIREMENTS UNTIL STOCK SALE.*—  
17                *Notwithstanding subsection (a), the requirements*  
18                *of section 754 of the Act (20 U.S.C. 1132f–3), as*  
19                *in existence as of the day before enactment of*  
20                *this Act, shall continue to be effective until the*  
21                *day immediately following the date of closing of*  
22                *the purchase of the Secretary’s stock (or the date*  
23                *of closing of the final purchase, in the case of*  
24                *multiple transactions) pursuant to subsection (d)*  
25                *of this section.*

1           (B) *REPORTS AFTER STOCK SALE.*—The  
2           Corporation shall, not later than March 30 of the  
3           first full calendar year immediately following the  
4           sale pursuant to subsection (d), and each of the  
5           2 succeeding years, submit to the Secretary of  
6           Education a report describing the Corporation's  
7           efforts to assist in the financing of education fa-  
8           cilities projects, including projects for elemen-  
9           tary, secondary, and postsecondary educational  
10          institution infrastructure, and detailing, on a  
11          project-by-project basis, the Corporation's busi-  
12          ness dealings with educational institutions that  
13          are rated by a nationally recognized statistical  
14          rating organization at or below the organiza-  
15          tion's third highest ratings.

16       (d) *SALE OF FEDERALLY OWNED STOCK.*—

17           (1) *SALE OF STOCK REQUIRED.*—The Secretary  
18          of the Treasury shall, upon the request of the Sec-  
19          retary of Education make every effort to sell, pursu-  
20          ant to section 324 of title 31, United States Code, the  
21          voting common stock of the Corporation owned by the  
22          Secretary of Education not later than one year after  
23          the date of the enactment of this Act.

24           (2) *PURCHASE BY THE CORPORATION.*—In the  
25          event that the Secretary of the Treasury is unable to

1     *sell the voting common stock, or any portion thereof,*  
 2     *at a price acceptable to the Secretary of Education*  
 3     *and the Secretary of the Treasury within the period*  
 4     *specified in paragraph (1), the Corporation shall pur-*  
 5     *chase such stock at a price determined by the Sec-*  
 6     *retary of the Treasury and acceptable to the Corpora-*  
 7     *tion based on independent appraisal by one or more*  
 8     *nationally recognized financial firms. Such firms*  
 9     *shall be selected by the Secretary of the Treasury in*  
 10    *consultation with the Secretary of Education and the*  
 11    *Corporation.*

12     (e) *ASSISTANCE BY THE CORPORATION.*—*The Corpora-*  
 13    *tion shall provide such assistance as the Secretary of the*  
 14    *Treasury and the Secretary of Education may require to*  
 15    *facilitate the sale of the stock under this section.*

16     (f) *DEFINITION.*—*As used in this section, the term*  
 17    *“Corporation” means the Corporation established pursuant*  
 18    *to the provision of law repealed by subsection (a).*

## 19     ***TITLE III—REPEALERS AND*** 20     ***OTHER AMENDMENTS***

### 21    ***SEC. 301. HIGHER EDUCATION PROVISIONS.***

22     (a) *HIGHER EDUCATION ACT OF 1965 PROVISIONS.*—  
 23    *The following provisions of the Higher Education Act of*  
 24    *1965 are repealed:*

1           (1) *Part B of title I (20 U.S.C. 1011 et seq.), re-*  
2           *lating to articulation agreements.*

3           (2) *Part C of title I (20 U.S.C. 1015 et seq.), re-*  
4           *lating to access and equity to education for all Ameri-*  
5           *cans through telecommunications.*

6           (3) *Title II (20 U.S.C. 1021 et seq.), relating to*  
7           *academic libraries and information services.*

8           (4) *Chapter 2 of subpart 2 of part A of title IV*  
9           *(20 U.S.C. 1070a–21 et seq.), relating to national*  
10          *early intervention scholarships.*

11          (5) *Chapter 3 of subpart 2 of part A of title IV*  
12          *(20 U.S.C. 1070a–31 et seq.), relating to presidential*  
13          *access scholarships.*

14          (6) *Chapter 4 of subpart 2 of part A of title IV*  
15          *(20 U.S.C. 1070a–41 et seq.), relating to model pro-*  
16          *gram community partnerships and counseling grants.*

17          (7) *Chapter 5 of subpart 2 of part A of title IV*  
18          *(20 U.S.C. 1070a–52 et seq.), relating to an early*  
19          *awareness information program.*

20          (8) *Chapter 8 of subpart 2 of part A of title IV*  
21          *(20 U.S.C. 1070a–81), relating to technical assistance*  
22          *for teachers and counselors.*

23          (9) *Subpart 5 of part A of title IV (20 U.S.C.*  
24          *1070d–2), relating to special programs for students*

1     *whose families are engaged in migrant and seasonal*  
2     *farmwork.*

3             *(10) Subpart 8 of part A of title IV (20 U.S.C.*  
4     *1070f), relating to special child care services for dis-*  
5     *advantaged college students.*

6             *(11) Section 428J (20 U.S.C. 1078–10), relating*  
7     *to loan forgiveness for teachers, individuals perform-*  
8     *ing national community service and nurses.*

9             *(12) Section 486 (20 U.S.C. 1093), relating to*  
10    *training in financial aid services.*

11            *(13) Subpart 1 of part H of title IV (20 U.S.C.*  
12    *1099a et seq.) relating to State postsecondary review*  
13    *entity programs.*

14            *(14) Part A of title V (20 U.S.C. 1102 et seq.),*  
15    *relating to State and local programs for teacher excel-*  
16    *lence.*

17            *(15) Part B of title V (20 U.S.C. 1103 et seq.),*  
18    *relating to national teacher academies.*

19            *(16) Subpart 1 of part C of title V (20 U.S.C.*  
20    *1104 et seq.), relating to Douglas teacher scholarships.*

21            *(17) Subpart 3 of part C of title V (20 U.S.C.*  
22    *1106 et seq.), relating to the teacher corps.*

23            *(18) Subpart 3 of part D of title V (20 U.S.C.*  
24    *1109 et seq.), relating to class size demonstration*  
25    *grants.*



1           (19) Subpart 4 of part D of title V (20 U.S.C.  
2       1110 et seq.), relating to middle school teaching dem-  
3       onstration programs.

4           (20) Subpart 1 of part E of title V (20 U.S.C.  
5       1111 et seq.), relating to new teaching careers.

6           (21) Subpart 1 of part F of title V (20 U.S.C.  
7       1113 et seq.), relating to the national mini corps pro-  
8       grams.

9           (22) Section 586 (20 U.S.C. 1114), relating to  
10       demonstration grants for critical language and area  
11       studies.

12          (23) Section 587 (20 U.S.C. 1114a), relating to  
13       development of foreign languages and cultures in-  
14       structional materials.

15          (24) Subpart 3 of part F of title V (20 U.S.C.  
16       1115), relating to small State teaching initiatives.

17          (25) Subpart 4 of part F of title V (20 U.S.C.  
18       1116), relating to faculty development grants.

19          (26) Subpart 5 of part F of title V (20 U.S.C.  
20       1117), relating to early childhood staff training and  
21       professional enhancement.

22          (27) Section 605 (20 U.S.C. 1124a), relating to  
23       intensive summer language institutes.

24          (28) Section 607 (20 U.S.C. 1125a), relating to  
25       foreign language periodicals.

1           (29) *Part A of title VII (20 U.S.C. 11326 et*  
2           *seq.), relating to academic and library facilities.*

3           (30) *Title VIII (20 U.S.C. 1133 et seq.), relating*  
4           *to cooperative education programs.*

5           (31) *Part A of title IX (20 U.S.C. 1134a et seq.),*  
6           *relating to women and minority participation in*  
7           *graduate education.*

8           (32) *Part B of title IX (20 U.S.C. 1134d et seq.),*  
9           *relating to Harris fellowships.*

10          (33) *Part C of title IX (20 U.S.C. 1134h et seq.),*  
11          *relating to Javits fellowships.*

12          (34) *Part E of title IX (20 U.S.C. 1134r et seq.),*  
13          *relating to the faculty development fellowship pro-*  
14          *gram.*

15          (35) *Part F of title IX (20 U.S.C. 1134s et seq.),*  
16          *relating to legal training for the disadvantaged.*

17          (36) *Part G of title IX (20 U.S.C. 1134u et seq.),*  
18          *relating to law school clinical programs.*

19          (37) *Section 1011 (20 U.S.C. 1135a–11), relat-*  
20          *ing to special projects in areas of national need.*

21          (38) *Subpart 2 of part B of title X (20 U.S.C.*  
22          *1135c et seq.), relating to science and engineering ac-*  
23          *cess programs.*

1           (39) *Part C of title X (20 U.S.C. 1135e et seq.),*  
2           *relating to women and minorities science and engi-*  
3           *neering outreach demonstration programs.*

4           (40) *Part D of title X (20 U.S.C. 1135f), relating*  
5           *to Eisenhower leadership programs.*

6           (41) *Title XI (20 U.S.C. 1136 et seq.), relating*  
7           *to community service programs.*

8           (b) *EDUCATION AMENDMENTS OF 1986 PROVISIONS.—*  
9           *The following provisions of the Higher Education Amend-*  
10          *ments of 1986 are repealed:*

11          (1) *Part E of title XIII (20 U.S.C. 1221–1 note),*  
12          *relating to a National Academy of Science study.*

13          (2) *Part B of title XV (20 U.S.C. 4441 et seq.),*  
14          *relating to Native Hawaiian culture and art develop-*  
15          *ment.*

16          (c) *EDUCATION AMENDMENTS OF 1992 PROVISIONS.—*  
17          *The following provisions of the Higher Education Amend-*  
18          *ments of 1992 are repealed:*

19          (1) *Part F of title XIII (25 U.S.C. 3351 et seq.),*  
20          *relating to American Indian postsecondary economic*  
21          *development scholarships.*

22          (2) *Part G of title XIII (25 U.S.C. 3371), relat-*  
23          *ing to American Indian teacher training.*

1           (3) *Section 1406 (20 U.S.C. 1221e–1 note), relat-*  
2           *ing to a national survey of factors associated with*  
3           *participation.*

4           (4) *Section 1409 (20 U.S.C. 1132a note), relat-*  
5           *ing to a study of environmental hazards in institu-*  
6           *tions of higher education.*

7           (5) *Section 1412 (20 U.S.C. 1101 note), relating*  
8           *to a national job bank for teacher recruitment.*

9           (6) *Part B of title XV (20 U.S.C. 1452 note), re-*  
10          *lating to a national clearinghouse for postsecondary*  
11          *education materials.*

12          (7) *Part C of title XV (20 U.S.C. 1101 note), re-*  
13          *lating to school-based decisionmakers.*

14          (8) *Part D of title XV (20 U.S.C. 1145h note),*  
15          *relating to grants for sexual offenses education.*

16          (9) *Part E of title XV (20 U.S.C. 1070 note), re-*  
17          *lating to Olympic scholarships.*

18          (10) *Part G of title XV (20 U.S.C. 1070a–11*  
19          *note), relating to advanced placement fee payment*  
20          *programs.*

21          (d) *CONFORMING AMENDMENTS.—The Act is amend-*  
22          *ed—*

23                 (1) *in section 453(c)(2)—*

24                         (A) *by striking subparagraph (E); and*

1           (B) by redesignating subparagraphs (F)  
2           through (H) as subparagraphs (E) through (G),  
3           respectively;

4           (2) in section 487(a)(3), by striking subpara-  
5           graph (B) and redesignating subparagraphs (C) and  
6           (D) as subparagraphs (B) and (C), respectively;

7           (3) in section 487(a)(15), by striking “the Sec-  
8           retary of Veterans Affairs, and State review entities  
9           under subpart 1 of part H” and inserting “and the  
10          Secretary of Veterans Affairs”;

11          (4) in section 487(a)(21), by striking “, State  
12          postsecondary review entities,”;

13          (5) in section 487(c)(1)(A)(i), by striking “State  
14          agencies, and the State review entities referred to in  
15          subpart 1 of part H” and inserting “and State agen-  
16          cies”;

17          (6) in section 487(c)(4), by striking “, after con-  
18          sultation with each State review entity designated  
19          under subpart 1 of part H,”;

20          (7) in section 487(c)(5), by striking “State re-  
21          view entities designated under subpart 1 of part H,”;

22          (8) in section 496(a)(7), by striking “and the  
23          appropriate State postsecondary review entity”;

1           (9) in section 496(a)(8), by striking “and the  
2       State postsecondary review entity of the State in  
3       which the institution of higher education is located”;

4           (10) in section 498(g)(2), by striking everything  
5       after the first sentence;

6           (11) in section 498A(a)(2)(D), by striking “by  
7       the appropriate State postsecondary review entity  
8       designated under subpart 1 of this part or”;

9           (12) in section 498A(a)(2)—

10           (A) by inserting “and” after the semicolon  
11       at the end of subparagraph (E);

12           (B) by striking subparagraph (F); and

13           (C) by redesignating subparagraph (G) as  
14       subparagraph (F); and

15           (13) in section 498A(a)(3)—

16           (A) by inserting “and” after the semicolon  
17       at the end of subparagraph (C);

18           (B) by striking “; and” at the end of sub-  
19       paragraph (D) and inserting a period; and

20           (C) by striking subparagraph (E).

21   **SEC. 302. EFFECTIVE DATE.**

22       *The repeals and amendments made by this title shall*  
23   *take effect on October 1, 1996.*

1 ***TITLE IV—GENERAL PROVISIONS***  
 2 ***RELATING TO STUDENT AS-***  
 3 ***SISTANCE PROGRAMS***

4 ***SEC. 401. AMENDMENT TO HIGHER EDUCATION ACT.***

5       (a) *AMENDMENT.*—Section 481(b) of the Act (20  
 6 U.S.C. 1088(b)) is amended by inserting after the first sen-  
 7 tence the following: “For the purposes of determining wheth-  
 8 er an institution meets the requirements of clause (6), the  
 9 Secretary shall not consider the financial information of  
 10 any institution for a fiscal year that began on or before  
 11 April 30, 1994.”.

12       (b) *EFFECTIVE DATE.*—The amendment made by sub-  
 13 section (a) shall apply to any determination made on or  
 14 after July 1, 1994, by the Secretary of Education pursuant  
 15 to section 481(b)(6) of the Act.

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